



**2019 ACTIVITY REPORT OF THE REMUNERATION COMMITTEE OF CAIXABANK, S.A.**

December 2019

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The activity report was drawn up by the CaixaBank, S.A. Remuneration Committee (hereinafter the “**Committee**”) on 18 December 2019, in compliance with the Company By-Laws and the Rules of the Board of Directors and will be submitted for approval by the Board of Directors of CaixaBank, S.A. (hereinafter, “**CaixaBank**” or the “**Company**”) at its meeting of 19 December 2019.

This report will be available on the corporate website of CaixaBank ([www.caixabank.com](http://www.caixabank.com)) together with all other documentation made available to the shareholders by the Company for the 2020 Ordinary General Shareholders' Meeting.

During the 2019 financial year, the Committee has furthered and consolidated the performance of its duties, acting within the scope of its responsibility at all times, adopting all the necessary resolutions and issuing all the relevant reports in accordance with current legislation or as expressly required from it.

## 1. REGULATION

The Appointment and Remuneration Committee was created on 20 September 2007 by unanimous resolution of the Board. On 25 September 2014 the Board of Directors agreed to amend the Regulations of the Board of Directors to adapt them to the provisions of Law 10/2014, of 26 June, regarding planning, supervision and solvency of credit institutions, and consequently split the Appointments and Remuneration Committee into two committees, i.e. an appointment committee and a remuneration committee, so that the Appointments and Remuneration Committee was renamed as the Appointments Committee and the Remuneration Committee was created.

The powers and functioning rules of the Remuneration Committee are described in Article 40.6 of the Company By-laws and Article 15 of the Regulations of the Board of Directors of CaixaBank.

Until now, CaixaBank has not deemed it necessary for the Committee to have its own regulations governing its organisation and functioning, as all the Committee's characteristics are governed in sufficient detail by the regulations included in the Regulations of the Board of Directors.

Likewise, the composition and powers of the Committee meet the criteria established in the European Banking Authority Guidelines on remuneration policies (EBA/GL/2015/22) and the recent Guidelines on Internal Governance (EBA/GL/2017/11).

Similarly, the functioning of CaixaBank's Remuneration Committee generally conforms to the principles, criteria and good working practices listed in the Technical Guide 1/2019 of the CNMV, on appointment and remuneration committees.

· Both these documents are available on the Company's website [www.caixabank.com](http://www.caixabank.com).

## 2. COMPOSITION

**A diverse committee made up of non-executive directors (the majority independent Directors, including the Chairman) with suitable knowledge and experience to perform their duties.**

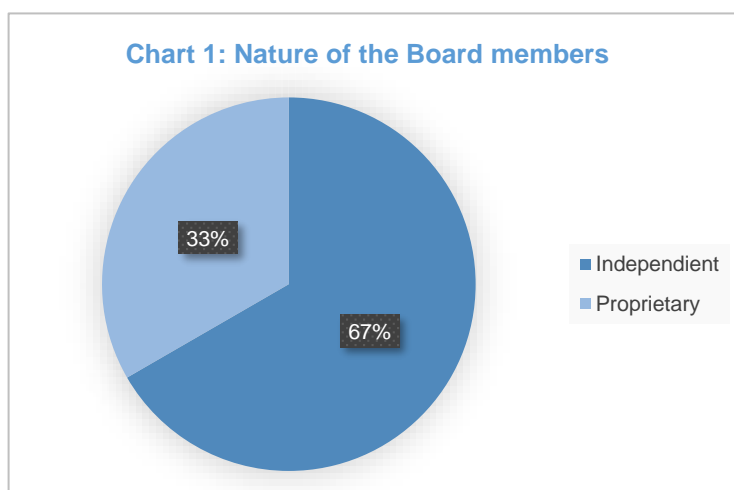
At the date on which this document was drawn up, the members of the Committee were as follows:

	Position	Status*	Member since**
María Amparo Moraleda	Chairwoman	Independent	25 September 2014
Alejandro García-Bragado	Member	Proprietary	1 February 2018
Verónica Fisas Vergés Vergés	Member	Independent	5 April 2019

\*Chart 1

\*\*Chart 2

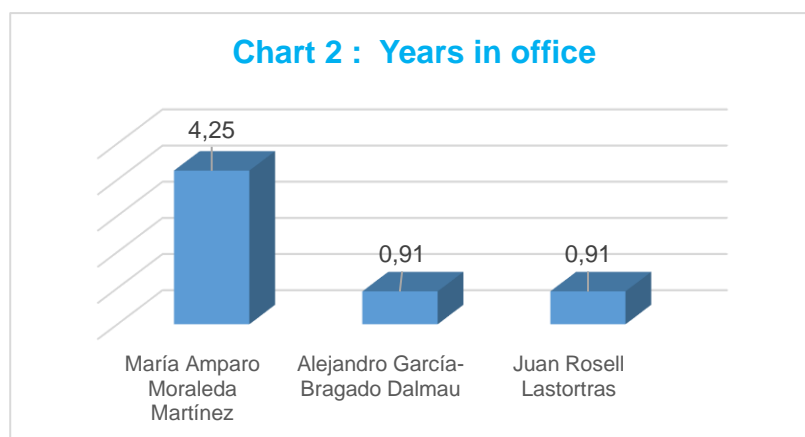
The committee is formed exclusively by non-executive directors. Two of its members (Ms. Amparo Moraleda and Ms. Verónica Fisas) are independent directors. The Committee members were elected taking into consideration their knowledge and experience of the matters dealt with within the Committee, and as a whole they have the relevant technical knowledge with regard to CaixaBank's business.



Amparo Moraleda has been a member of the Remuneration Committee since its creation, holding the position of Chairwoman since the beginning of its activity in September 2014. In 2019 she was re-elected as a member of the Remuneration Committee by the Board of Directors on 5 April, after having been re-elected to the Board at the General Shareholders' Meeting held the same day.

Alejandro García-Bragado has been a member of the Remuneration Committee since 1 February 2018.

Verónica Fisas Vergés has been a member of the Remuneration Committee since she was appointed by the Board of Directors, on 5 April 2019, to replace Juan Rosell Lastortras whose role as a member came to an end.



The Committee chairwoman and Verónica Fisas Vergés are also members of the Executive Committee.

The position of secretary of the Committee, an advisory position, is held by the Secretary of the Board of Directors, who is also the Secretary General of CaixaBank, thus facilitating a smooth, efficient and dynamic relationship with the Company's different Departments, which must offer their collaboration or provide the Committee with information. The position of Deputy Secretary, an advisory post, is held by the First Deputy Secretary of the Board of Directors.

The Company website, [www.caixabank.com](http://www.caixabank.com), provides the professional career of each of the Committee members.

### 3. FUNCTIONING OF THE COMMITTEE

#### 3.1 Preparation

In order to prepare the Committee's meetings, its members are provided with the documentation for the meeting (draft agenda, presentations, reports, minutes of the previous meetings and any other supporting documentation) sufficiently in advance of each meeting. Specially designed computer tools are used for this purpose to ensure the confidentiality of the information.

#### 3.2 Attendance

In accordance with its regulations, the Committee meets as necessary for the correct performance of its duties. Its meetings are called at the initiative of its Chairman or at the request of two members of the Committee and whenever the Board of Directors or its Chairman request the issue of a report or adoption of a proposal.

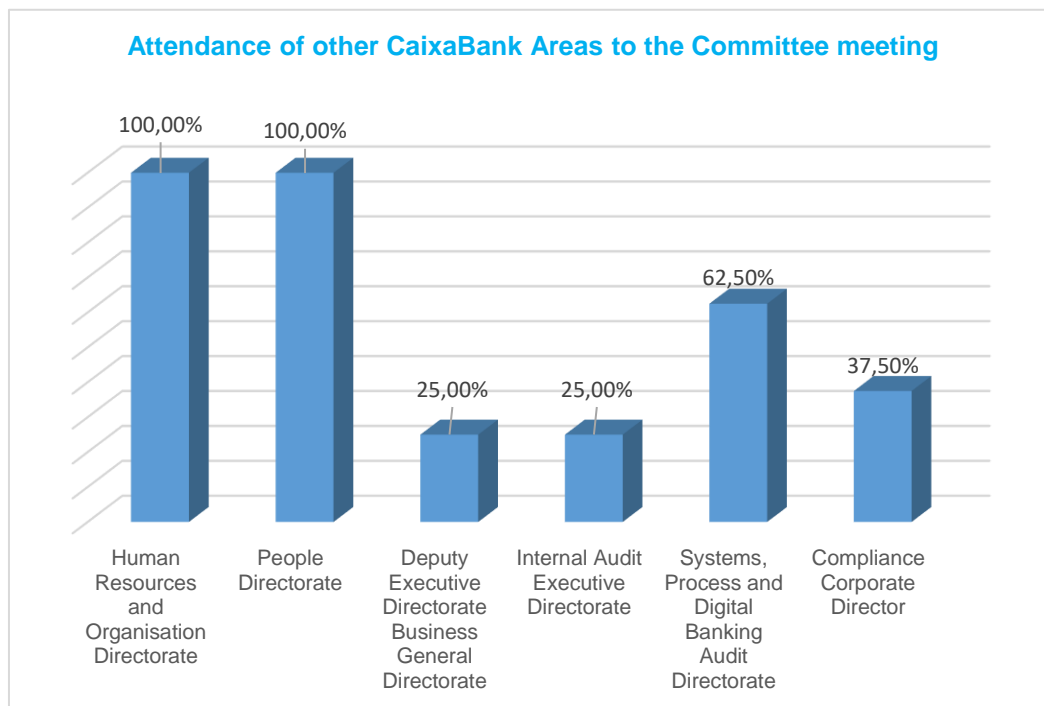
In 2019, the Committee held nine meetings. Meeting attendance by Committee members, either present or represented by proxy, was as follows in 2019:

Number of meetings	9
María Amparo Moraleda Martínez	9 / 9
Alejandro García-Bragado Dalmau	9 / 9
Juan Rosell Lastortras	2 / 2 <sup>1</sup>
Verónica Fisas Vergés	7 / 7 <sup>2</sup>

(1) Juan Rosell Lastortras was a Committee member until 5 April 2019

(2) Verónica Fisas Vergés has been a Committee member since 5 April 2018

The Managing Director of Human Resources and Organisation of the Company, as well as the Director of the Department of People attended all the sessions. In 2019, the meetings were also attended by the Deputy Executive Director of the Business Department, the Executive Director of Internal Audit, the Director of Systems, Processes and Digital Banking Audit, and the Corporate Manager of Regulatory Compliance, who were all invited by the Committee Chairman. The presence of directors is limited to the points on the meeting agenda in which they must intervene.



### 3.4 Conduct of Meetings

The Committee's system determines quoracy of the meetings when the majority of its members are present in person or represented by proxy. Members may delegate their proxy representation to another member. Resolutions are adopted by majority vote of the members attending in person or by proxy, and minutes are taken of the resolutions adopted at each meeting.

The Committee may request the attendance of persons from the organisation whose work is related to its duties, and it may obtain all necessary counselling to form an opinion on the matters within its remit. This is managed by the Secretary of the Board.

Similarly, the Committee has collaborated with the Risks Committee when deemed appropriate, which is a practice in accordance with the recommendations included in the Guidelines on Internal Governance (EBA/GL/2017/11).

### 3.5 Reporting to the Board of Directors

The Chairman of the Committee informs the Board of Directors of its activity and the work it has carried out at the meetings held for such purposes by the management body. In addition, in accordance with the modification of Board Regulations approved in February 2019, all members are sent a copy of the minutes from each meeting.

## 4. FULFILMENT OF DUTIES

In accordance with Article 15.3 of the Regulations of the Board of Directors of CaixaBank, the Remuneration Committee has the following basic duties:

- Drafting resolutions related to remuneration and, particularly, reporting and proposing to the Board of Directors the remuneration policy, the system for and amount of annual compensation of board members and senior management, as well as the individual remuneration of executive directors and senior management and other contractual conditions.
- Ensuring compliance with the remuneration policy of board members and senior management and reporting on the basic conditions established in their contracts, and compliance with such contracts.
- Reporting on and preparing the general remuneration policy of the Company and in particular policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company, and those that are intended to prevent or manage conflicts of interest with the Company's customers.
- Analysing, formulating and periodically reviewing remuneration programmes, weighing their adequacy and performance and ensuring compliance.
- Proposing to the Board the approval of the remuneration reports or policies that the Board is required to submit to the General Shareholders' Meeting, while also reporting to the Board on any proposals or motions relating to remuneration that the Board intends to lay before the General Meeting.
- Considering the suggestions posed thereto by the Chairman, the Board members, the managers or the shareholders of the Company.

Below is a summary of the activity of the **Remuneration Committee** in 2019, grouping the activities together in accordance with its basic duties.

### 4.1 Remuneration. Remuneration policy for the board members and senior management. System and amount of the annual remuneration

In accordance with its function of proposing to the Board of Directors the remuneration policy, the system and amount of annual remuneration for board members and senior management and the individual remuneration of the executive directors and senior management, the most relevant aspects dealt with by the Remuneration Committee in 2019 were as follows:

With regard to the individual remuneration for board members and senior management, the Remuneration Committee analysed the individual targets of the CEO in 2018 and their assessment by the Chairman, as well as the targets of the Management Committee, the Subdirector General of Compliance, and the Executive Director of Corporate Risk Management Function & Planning, highlighting that the process of setting challenges and self-evaluation by the directors is currently computerised as a result of the implementation of the recommendations from the Internal Audit department, and it has been sent to the Board for approval.

The Remuneration Committee also analysed the result of the corporate targets of the 2018 bonus scheme with regard to the CEO, the other members of the Management Committee and central services, reporting favourably on the Board's achievements and the bonus proposal for 2018.

The Committee also agreed to report favourably on the proposal of financial terms for 2019 of the CEO, the members of the Management Committee, the Subdirector General of Compliance and the Executive Director of *Corporate Risk Management Function & Planning*.

Following the previous resolutions, the Committee reported favourably on the calculation of the 2018 discretionary benefits of the new Executive Director of Insurance and the General Director of VidaCaixa as a result of their incorporation on the CaixaBank Management Committee.

Throughout the year, the Remuneration Committee also followed and analysed the 2019 corporate targets and bonus scheme of the CEO, the Management Committee and the central services.

The Committee also reported positively on the 2019 proposal of individual targets for the CEO, the members of the Management Committee, the Subdirector General of Compliance and the Executive Director of Global Risk Management.

The Remuneration Committee also agreed to propose that the Board set the annual remuneration for the members of the new Innovation, Technology and Digital Transformation Committee at €30,000, with the exception of the Chairman and the CEO, who receive no remuneration for being members of this Committee.

The Committee also analysed the updated remuneration study of the CEO, the members of the Management Committee and the managers of Risks, Control and Compliance of the Bank.

Finally, the Committee approved a proposal to update the composition of the Identified Group of the CaixaBank Group for 2020.

#### **4.2 Observance of the remuneration policy for board members and senior management –**

##### **Information on the basic terms established in the contracts of board members and senior management**

In accordance with its duty to ensure observance of the Remuneration Policy for board members and senior management and to report on the basic terms of their contracts, the Remuneration Committee studied the possibility of variable remuneration of the discretionary pension benefits and the reference made to these in the standard senior management contract.

With regard to the duty of reporting and preparing the remuneration policy of board members and senior management, the Committee reported favourably on amending the Remuneration Policy of the Board of Directors, in order to take into account the fact that the Deputy Chairman was no longer an executive director, as well as to update the remunerations of the CEO and approve a new long-term incentive plan linked to the new Strategic Plan 2019-2021, among other aspects.

#### **4.3 General Remuneration Policy. Remuneration Policy for the Identified Group**

With regard to the duty of reporting on and drawing up the Company's General Remuneration Policy, the Remuneration Committee proposed amending section 7.3 Incentives to clarify the definition of incentives and how they are bound by the governance and control criteria in the policy, as well as section 4.4 Functions of the Areas of Control and the CaixaBank Management Committee, to provide greater details of the functions assigned to the different areas of the three lines of defence involved in governing variable remuneration. At the suggestion of Internal Audit, further details are included in point 13.2 Annual Internal Assessment Report, regarding the scope and frequency of the report.

Meanwhile, the Remuneration Committee also analysed the situation of the remuneration policies in the context of the Group, paying special attention to the companies within the perimeter of prudent consolidation. It has also analysed the approval of a standard remuneration policy that must be adapted to each subsidiary in accordance with its own characteristics.

In accordance with the Audit planning for remunerations in 2019, it was informed of the review of compliance with the remuneration guidelines and procedures established in current regulations



by the Remuneration Policy for the identified group in 2018; the assessment of the qualitative and quantitative criteria that determine the composition of the identified group for 2019, as well as the requirement of CaixaBank exclusion procedures, in compliance with Royal Decree 04/2014; the review of the definition of the identified group for 2019 according to Royal Decree 604/2014 on BPI, as well as how it is aligned with the methodology and procedures of the CaixaBank Group; the confirmation that the Remuneration Policy for the identified group of Banco BPI complies with the requirements established in current regulations and is coherent with the current remuneration policies in force for the CaixaBank Group; the review of the changes made in the implementation of the remuneration policy for the identified group in 2018 and the procedure for determining the identified group in 2019 of VidaCaixa and BPI Vida e Pensões to adapt to applicable regulations.

#### 4.4 Analysis, drafting and review of remuneration schemes

With regard to the Committee's duty to study, draw up and periodically review the remuneration schemes, contemplating their adaptation and performance and ensuring their observance, the most important aspects dealt with by the Committee were as follows:

During 2019, the Remuneration Committee continued developing a new long-term incentives plan linked to the Strategic Plan 2019-2021, for submission to the Board of Directors and subsequent approval at the 2019 CaixaBank General Shareholders' Meeting. The Chairwoman of the Remunerations Committee submitted the proposal to the Risks Committee and to the members of the Board through various explanatory sessions. In order to implement this, CaixaBank received external advice from the Garrigues law firm.

The Remuneration Committee reported favourably on the proposal of beneficiaries of the new plan, maintaining the same criteria of eligibility applied for the 2015-2018 plan. That is, selection is based on the function that is actually performed and not on the corporate position.

The Committee also reported favourably on the proposal of the maximum number of shares to be requested from the General Shareholders' Meeting for the first cycle of the plan (2019). The target amount is the same as in the 2015-2018 plan, with the number of shares varying due to the difference in the share price compared to the previous Plan.

Finally, the Committee proposed that the Board of Directors approve the annual incentive regulations for 2019-2021.

With regard to CaixaBank's long-term variable remuneration plan 2015-2018, which was approved at the General Shareholders' Meeting in 2015, the Remuneration Committee reported favourably on the settlement proposal that was also reviewed by Internal Audit.

In accordance with a recommendation from Internal Audit, the Remuneration Committee carried out a detailed analysis of the variable remuneration model of the retail network in 2019, studying the two components of this remuneration (the bonus, which is based on business targets and has monitoring metrics and tools, and the incentives, which are based on campaigns for marketing of its own products or on financing third-party products); and its *governance* (with participation from the department of Business, Human Resources and Regulatory Compliance, emphasising the need to continue working on product governance, specific and general training and the importance of spreading the culture of compliance).

In accordance with the Audit plan regarding 2019 remunerations, the Committee was informed of the Audit Report on the review of the management process for retail banking incentives; confirmation of having achieved the long-term variable remuneration plan (ILP) 2015-2018 with the correct application of the ILP Regulations; the review of 2015-2018 ILP settlement; and the adaptation of the design of the new remuneration system 2019-2021.

It has also been informed of the audit in progress regarding the 2018 bonus review of the Markets and ALM departments, as well as the audit started regarding CaixaBank Asset Management.

#### 4.5 Advising the Board to submit remuneration reports or policies to the General Shareholders' Meeting. Reports to the Board on proposals and motions to be laid before the General Shareholders' Meeting

In accordance with its duty to submit proposals to the Board regarding approval of the remuneration reports or policies that the latter must submit to the General Shareholders' Meeting, and to report to the Board on any remuneration-related proposals it intends to propose to the General Meeting, the Remuneration Committee reported favourably on amending the Remuneration Policy for the Board of Directors, as already mentioned in the previous section of this document.

Similarly, with regard to the proposal that the maximum level of variable remuneration of certain employees whose work has a significant impact on the Entity's risk profile can amount to two hundred percent (200%) of the total fixed remuneration, the Committee reported favourably on the Board of Directors' detailed recommendation draft. The proposal, as is usual, refers to 35 specific positions. Unlike previous years, and with the sole purpose of expanding the capacity of the company to meet the individual and collective commitments acquired regarding payments for termination, this year it has been extended to 119 specific positions, for a total of 154.

As a conclusion to the work carried out to develop a new long-term incentive plan linked to the Strategic Plan, the Remuneration Committee reported favourably on the proposal in agreement with the Board and the proposal in agreement with the General Shareholders' Meeting of the annual incentive plan conditioned by the Strategic Plan 2019-2021, approving the Committee's report on this matter.

The Committee also reported favourably on the proposal of the maximum number of shares to be requested from the General Shareholders' Meeting for the first cycle of the plan (2019). The target amount is the same as in the 2015-2018 plan, with the number of shares varying due to the difference in the share price compared to the previous Plan.

At the Company's Ordinary General Meeting held on 5 April 2019, these proposals, which are included in items 7-10 of the agenda of the General Shareholders' Meeting, were approved with the following percentage of votes in favour:

Proposal	Votes in favour	Votes against	Abstentions
Modification of the Remuneration Policy of Board Members	97.1861%	2.1509%	0.6630%
Annual Conditioned Incentives Plan Related to the Strategic Plan 2019-2021 for the executive directors, members of the Management Committee and rest of the management team and and key employees	98.3075%	1.6581%	0.0344%
Delivery of shares to executive directors and senior management as part of the variable remuneration programme	99.4853%	0.3762%	0.1385%
Maximum level of variable remuneration for employees whose professional activities have a significant impact on the Company's risk profile	99.3687%	0.5945%	0.0368%

Finally, the Remuneration Committee reported favourably to the Board on the project to draw up an Annual Report on Remuneration of the board members of public limited companies for 2018 corresponding to CaixaBank, for subsequent submission to the General Shareholders' Meeting.

#### 4.6 Other

The Remuneration Committee has analysed the costs incurred by board members during 2018, reviewed by Internal Audit, and has agreed to their annual review.

The Committee also analysed its adaptation to the CNMV technical guide 1/2019 on appointment and remuneration committees, concluding that, in terms of functioning, the Committee meets the best practices stipulated in the guide, complying with all the aspects regarding remuneration.

### 5. MAIN PROGRESS IN COMPARISON TO THE BOARD ASSESSMENT FOR 2018

Based on the Report on the Effectiveness and Performance of the Board of Directors and its Committees for 2018, the following progress can be highlighted with regard to the recommendations made in that report.

*Recommendation: Reception of the information for the Committee meetings with sufficient notice.*

In 2019, the minutes of the previous meeting were distributed to the Committee members sooner, an average of five days before holding the meeting where they were to be approved, as well as the rest of the documentation, which was distributed an average of between three and four days beforehand.

Furthermore, in its self-assessment, the Board deemed it necessary to report appropriately on the issues discussed in the different committees. With the aim of unifying criteria on board member access to the information of all the committees, the Regulations of the Board were modified to include a standard regulation for the Appointment Committee and the Remuneration Committee requiring that a copy of the minutes of each session be sent or delivered to all the directors.

### 6. ASSESSMENT OF THE FUNCTIONING OF THE COMMITTEE

#### **Favourable report on the quality and efficiency of Committee functioning, drawn up in 2019.**

In accordance with Article 15.4 vi) of the Regulations of the Board of Directors of CaixaBank, S.A., the Committee must draw up an annual report on its functioning, noting any main incidents that have occurred in relation to its functions. This report, where applicable, will serve as a basis for the assessment of the Board of Directors. Furthermore, if the committee deems it appropriate, it will include suggested improvements in the report.

In assessing the functioning of the Remuneration Committee, its members were asked for their opinion on the composition, organisation and performance of the duties entrusted to the Committee in the Company By-laws and the Regulations of the CaixaBank Board of Directors; the rest of the members were also asked for their opinion.

The Remuneration Committee reported favourably on the quality and efficiency of the functioning of the Committee during the financial year.

Barcelona, 18 December 2019  
The CaixaBank, S.A. Remuneration Committee